

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001**

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

**Complaint on First-Class Mail
Service Standards**

Docket No. C2001-3

**DOUGLAS F. CARLSON
COMPLAINT ON FIRST-CLASS MAIL SERVICE STANDARDS**

June 15, 2001

NAME AND ADDRESS OF COMPLAINANT

1. Complainant is Douglas F. Carlson, PO Box 1077, Santa Cruz CA 95061-1077.

COMMISSION JURISDICTION

2. The Postal Reorganization Act requires the Postal Service to develop and promote "adequate and efficient postal services." 39 U.S.C. § 3661(a).

3. The Postal Reorganization Act prohibits the Postal Service from unduly or unreasonably discriminating among users of the mail, except as specifically authorized by title 39. 39 U.S.C. § 403(c).

4. The Postal Reorganization Act requires the Postal Service to submit a proposal to the Commission requesting an advisory opinion on any change in the nature of postal services that will generally affect service on a nationwide or substantially nationwide basis. 39 U.S.C. § 3661(b). The Postal Service must request this advisory opinion within a reasonable time *before* the effective date of such a proposal. *Id.*

5. Interested parties who are not receiving postal services in accordance with the policies of the Postal Reorganization Act may lodge a complaint with the Commission. 39 U.S.C. § 3662.

6. The Commission has jurisdiction to hear a service complaint that an interested party files under section 3662 if the interested party complains that the Postal Service did not seek an advisory opinion under section 3661(b) before the effective date of a change in the nature of postal services that generally affected service on a nationwide or substantially nationwide basis.

7. The Commission has jurisdiction to hear a service complaint that an interested party files under section 3662 if the interested party complains that the Postal Service is not providing adequate service.

8. The Commission has jurisdiction to hear a service complaint that an interested party files under section 3662 if the interested party complains that the Postal Service, without specific authorization from title 39, is unduly or unreasonably discriminating against some users of the mail.

SUMMARY OF COMPLAINT

9. For mail originating in any three-digit ZIP Code area, the Postal Service has established a service standard for First-Class Mail destined to every other three-digit ZIP Code area. The origin three-digit ZIP Code and destination three-digit ZIP Code may be described as an origin-destination three-digit ZIP Code pair. Between any origin-destination three-digit ZIP Code pair, this service standard will be one day, two days, or three days. For example, for origin SCF Washington DC 200¹ to destination SCF San Jose CA 950, the service standard for First-Class Mail is three days.

10. In 2000 and 2001, the Postal Service implemented changes in two-day and three-day service standards for First-Class Mail on a nationwide or

¹ "SCF" stands for Sectional Center Facility.

substantially nationwide basis by changing the service standards that apply to over 76,440 origin-destination three-digit ZIP Code pairs.²

11. The changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001 represent a change in the nature of postal services that generally affected service on a nationwide or substantially nationwide basis.

12. Section 3661(b) required the Postal Service to seek an advisory opinion before the effective dates of the changes in First-Class Mail service standards implemented in 2000 and 2001.

13. The Postal Service failed to seek an advisory opinion under section 3661(b) before implementing changes in First-Class Mail service standards in 2000 and 2001.

14. In Docket No. N89-1, the Commission provided an advisory opinion to the Postal Service on its nationwide realignment plan for First-Class Mail service standards. Until 2000 and 2001, no nationwide realignments in First-Class Mail service standards had occurred since Docket No. N89-1.

15. According to the 2001 *National Five-Digit ZIP Code and Post Office Directory* ("ZIP Code Directory") at 9-3, "Second-day delivery is scheduled for locally designated areas nationwide to which 2-day delivery is needed and to which transportation is available for consistent achievement of 2-day delivery."³

16. The changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001 represent a change in, departure from, or abandonment of the criteria that the Postal Service announced in Docket No.

² In this complaint, the phrase "changes in First-Class Mail service standards" will refer to changes in the two-day and three-day First-Class Mail service standards that apply to origin-destination three-digit ZIP Code pairs.

³ Similar language appears in the ZIP Code Directory for 1998 and possibly other years.

N89-1 and the 2001 ZIP Code Directory for two-day First-Class Mail service standards.

17. The change in, departure from, or abandonment of the criteria that the Postal Service announced in Docket No. N89-1 and the 2001 ZIP Code Directory for two-day service standards for First-Class Mail represents a change in the nature of postal services that generally affects service on a nationwide or substantially nationwide basis.

18. Section 3661(b) required the Postal Service to seek an advisory opinion before changing, departing from, or abandoning the criteria that the Postal Service announced in Docket No. N89-1 and the 2001 ZIP Code Directory for two-day First-Class Mail service standards.

19. The Postal Service failed to seek an advisory opinion under section 3661(b) before changing, departing from, or abandoning the criteria that the Postal Service announced in Docket No. N89-1 and the 2001 ZIP Code Directory for two-day First-Class Mail service standards.

20. The Postal Service has implemented changes in First-Class Mail service standards that have caused First-Class Mail service not to be adequate within the meaning of section 3661(a) for some customers.

21. The Postal Service has created First-Class Mail service standards that unduly and unreasonably discriminate among users of the mail, in violation of 39 U.S.C. § 403(c).

INADEQUATE FIRST-CLASS MAIL SERVICE

22. As a result of the changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001, the Postal Service is not providing adequate First-Class Mail service to many postal customers.

23. Some examples of First-Class Mail service standards that have changed from two days to three days and that now are inadequate include, but likely are not limited to:

	Origin SCF	Destination SCF
a.	San Francisco CA 941 North Bay CA 949	San Diego CA 921
b.	San Jose CA 951 San Francisco CA 941 Oakland CA 946	Seattle WA 981
c.	San Jose CA 951 San Francisco CA 941 Oakland CA 946	Phoenix AZ 850
d.	San Jose CA 951 San Francisco CA 941 Oakland CA 946	Portland OR 972
e.	San Jose CA 951 San Francisco CA 941 Oakland CA 946	Las Vegas NV 891
f.	Reno NV 895	Las Vegas NV 891

Note: For (b) through (f), the service standard is now three days in the reverse direction as well — i.e., for mail travelling from the SCF in the right column to an SCF in the left column.

24. A substantial volume of First-Class remittance mail travels from California to Arizona and SCF Las Vegas NV.

25. At least one major California bank services California customers by First-Class Mail from operations centers in Arizona and Oregon.

26. Postal Service survey evidence from Docket No. N89-1 indicates that postal customers need two-day First-Class Mail service from Seattle to San Francisco.

27. The service standard for some First-Class Mail originating within California, Nevada, Texas, Wyoming, and Alaska and destined to addresses within the state of origin is three days.

28. For some postal customers in Nevada and Alaska, the service standard for First-Class Mail to and from their state capital is three days.

29. The service standard for First-Class Mail from Ashland, Oregon, to Yreka, California, two cities located approximately 33 miles apart, is three days, while the service standard in the reverse direction, for First-Class Mail from Yreka, California, to Ashland, Oregon, is one day.

30. The service standard for First-Class Mail from SCF Eureka CA 955 to adjacent SCF's Eugene OR 974 and Medford OR 975 is three days. The service standard for First-Class Mail from SCF Eugene OR 974 and SCF Medford OR 975 to adjacent SCF Eureka CA 955 is three days.

31. The changes in First-Class Mail service standards implemented in 2000 and 2001 created multiple examples of three-day service standards for First-Class Mail travelling between adjacent SCF's.

32. Unless the mailing day or normal delivery day is a holiday, the changes in First-Class Mail service standards from two days to three days add one day to delivery times for First-Class Mail that is deposited on Monday, Tuesday, Wednesday, or Saturday and that is affected by the changes in service standards. Unless the mailing day or normal delivery day is a holiday, the changes in First-Class Mail service standards add two days to delivery times for First-Class Mail that is deposited on Thursday and that is affected by the changes in service standards. If First-Class Mail affected by the changes in service standards is deposited on a Thursday and the following Monday is a holiday, the changes in First-Class Mail service standards add three days to delivery times.

CRITERIA FOR TWO-DAY SERVICE STANDARDS

33. In Docket No. N89-1, Postal Service witness Seymour A. Lazerowitz explained the Postal Service's criteria for two-day delivery standards for First-Class Mail. Quoting in relevant part:

[T]he Realignment Plan begins by identifying as the core two-day area those destinations in the current overnight area that would not be overnight under revised standards, since customers say they need two-day delivery to these destinations. As a minimum requirement, the Plan provides for two-day delivery to this core area in every case.

Beyond this core, two-day delivery needs will vary from one location to another. As a general rule, the guidelines provide for two-day delivery within the home state and to nearby states, since the research indicates that customers believe they need two-day delivery within what they consider to be a reasonable surrounding area, and also that they tend to identify this area in terms of geographical boundaries. However, in some instances, the geographic area defined by this guideline will be so large that it is no longer a "reasonable surrounding area." In that case, the Realignment Plan directs local managers to identify the areas to which two-day delivery can be provided with a high degree of consistency based on available surface transportation. This reasonable surrounding area, either as defined by the guidelines or as identified locally, becomes the second part of the two-day area.

Perhaps the most important aspect of re-defining the two-day area is to identify the major business centers where business customers need two-day delivery. As with the overnight area, the Realignment Plan requires local managers to consider a number of factors in doing this. First, local managers must identify those destinations which receive significant First-Class Mail volume and which can be reached by reliable air transportation, to ensure that consistent two-day delivery will be possible. Second, local managers must meet with major mailers to explore their needs for two-day delivery. If additional input on customer needs is required, the customer survey can be used.

Docket No. N89-1, Direct Testimony of Seymour A. Lazerowitz on Behalf of the United States Postal Service at 22–23 [footnote omitted].

34. Business and residential customers need two-day delivery for First-Class Mail travelling between many SCF's for which the Postal Service changed the service standard from two days to three days in 2000 and 2001. Examples include, but are not limited to, those identified in paragraph 23 of this complaint.

35. Between many SCF's for which the Postal Service changed the service standard from two days to three days in 2000 and 2001, air transportation exists that is at least as reliable as the air transportation that the Postal Service uses to transport First-Class Mail between other points in the postal system. Examples of the many SCF's include, but are not limited to, those identified in paragraph 23 of this complaint.

36. A primary goal of the changes in First-Class Mail service standards is to minimize the planned movement of two-day First-Class Mail by air transportation. To the extent that this goal assumes a greater priority in setting First-Class Mail service standards than it did in the past, this goal represents a change in the nature of postal services that generally affects service on a nationwide or substantially nationwide basis.

37. Pursuant to Rule 83, Library Reference DFC-LR-1 contains my correspondence with the Postal Service under the Freedom of Information Act (FOIA) concerning changes in First-Class Mail service standards implemented in 2000 and 2001. DFC-LR-1 contains an Excel spreadsheet that lists all the changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001.

38. DFC-LR-1 contains my FOIA request to the Postal Service dated January 27, 2001. This FOIA request asks for a copy of every document and other record that, *inter alia*, explains reasons or justifications for any change in service standards implemented in 1998, 1999, 2000, or 2001 for mail destined to the San Francisco Bay Area SCF's of San Francisco, Oakland, and San Jose. DFC-LR-1 contains the information that the Postal Service provided in response to my FOIA request. Assuming the Postal Service complied with FOIA in providing all documents that explain reasons or justifications for changes in service standards implemented in 2000 or 2001, the Postal Service changed First-Class Mail service standards on a nationwide or substantially nationwide basis using no written criteria other than the words and phrases contained in a

PowerPoint or similar presentation provided in response to my FOIA request. This PowerPoint or similar presentation concerned a nationwide realignment plan for two-day and three-day First-Class Mail service standards.

39. The criteria and process that the Postal Service employed to change First-Class Mail service standards in 2000 and 2001 do not ensure that the revised standards will provide customers with adequate First-Class Mail service.

40. The changes in some First-Class Mail service standards that the Postal Service implemented in 2000 and 2001 may be arbitrary.

UNDUE AND UNREASONABLE DISCRIMINATION

41. The criteria and process that the Postal Service employed to change First-Class Mail service standards in 2000 and 2001 do not ensure that the revised standards will not unduly or unreasonably discriminate against users of the mail located in California and other western states, in a manner not specifically authorized by title 39.

42. To the extent that the goal described in paragraph 36 to minimize the planned movement of two-day First-Class Mail by air transportation assumes a greater priority in setting First-Class Mail service standards than it did in the past, this goal unduly and unreasonably discriminates against users of the mail located in California and other western states, in a manner not specifically authorized by title 39.

43. Compared to the service standards provided to users of the mail in other states, the changes in First-Class Mail service standards unduly and unreasonably discriminate against users of the mail located in California and other western states, in a manner not specifically authorized by title 39, by depriving them of two-day First-Class Mail service to a reasonable number of neighboring states with which they have significant contacts and need two-day First-Class Mail service.

PUBLIC INPUT

44. When the Postal Service determines that it should implement a change in the nature of postal services that will generally affect service on a nationwide or substantially nationwide basis, the Postal Reorganization Act requires the Postal Service to seek an advisory opinion from the Commission within a reasonable time before the effective date of the proposal in order to grant users of the mail an opportunity to provide input during a hearing on the record.

45. For substantially nationwide changes in the nature of postal services, the Postal Service cannot adequately plan, develop, promote, and provide adequate and efficient postal services without the input and review provided through a section 3661(b) proceeding because an essential step in the process will have been omitted.

46. By failing to seek an advisory opinion before implementing changes in First-Class Mail service standards in 2000 and 2001, the Postal Service deprived itself of the intelligence that it might have gained from a public proceeding and a Commission advisory opinion, and the Postal Service deprived the public of an opportunity to provide its views.

47. The criteria and process that the Postal Service employed to change First-Class Mail service standards in 2000 and 2001 did not ensure that the Postal Service would obtain sufficient public input before implementing changes in First-Class Mail service standards.

48. The Postal Service departed from previous operating procedures, as previous operating procedures were described in witness Lazerowitz's testimony, by failing to obtain sufficient public input before changing First-Class Mail service standards in 2000 and 2001.

SCOPE OF CHANGES IN SERVICE STANDARDS

49. In 2000 and 2001, the Postal Service changed the service standards for over 76,440 origin-destination three-digit ZIP Code pairs affecting all 11 postal areas nationwide.

50. The changes in First-Class Mail service standards affect 48 states. The only states that were not affected by the changes implemented in 2000 and 2001 are Alaska and Hawaii.

51. Some changes in First-Class Mail service standards result in a downgrade from two days to three days, while other changes result in an upgrade from three days to two days.

52. The changes in First-Class Mail service standards implemented in 2000 and 2001 result in a net decrease in the volume of First-Class Mail subject to a two-day service standard and a net increase in the volume of First-Class Mail subject to a three-day service standard. The net decrease in volume of First-Class Mail subject to a two-day service standard is approximately 1.45 percent of total First-Class Mail volume, or more than 1.5 billion pieces per year.

53. The changes in First-Class Mail service standards result in a net increase of approximately 22,250 origin-destination three-digit ZIP Code pairs for which the service standard is two days. However, the net *volume* of First-Class Mail subject to a two-day delivery standard instead of a three-day delivery standard has decreased by approximately 1.5 billion pieces per year. Moreover, the changes in First-Class Mail service standards have shifted over 3.4 billion pieces of mail per year from a two-day delivery standard to a three-day delivery standard.

54. In the Pacific Area,⁴ approximately 99 percent of the changes in First-Class Mail service standards affecting origin or destination three-digit ZIP Codes

⁴ The Pacific Area generally covers post offices located in California and Hawaii.

are downgrades from two days to three days, while only approximately one percent are upgrades from three days to two days.⁵

55. In the Western Area⁶, approximately 79 percent of the changes in First-Class Mail service standards affecting origin or destination three-digit ZIP Codes are downgrades from two days to three days, while only approximately 21 percent are upgrades from three days to two days.⁷

56. According to data from the 2000 United States Census, the Pacific Area and Western Area comprise over 22 percent of the United States population.

57. The changes in First-Class Mail service standards affect approximately nine percent of three-digit ZIP Code pairs nationwide.

58. Although the changes in First-Class Mail service standards affect approximately nine percent of three-digit ZIP Code pairs nationwide, the changes affect more than nine percent of the three-digit ZIP Code pairs that could reasonably have been considered for changes in two-day or three-day service standards. First, the ZIP Code pairs in an origin SCF's overnight delivery area were not candidates for switching between two days and three days. Second, certain three-digit ZIP Codes in the nearby two-day delivery area did not reasonably constitute candidates for a change to a three-day standard. Third, and most importantly, a large number of three-digit ZIP Codes represented a distance too far to be considered for inclusion in the two-day delivery area. For example, for origin SCF's in the New York Metro Area, SCF's in the Pacific Area and Western Area would not reasonably have been candidates for conversion to

⁵ This calculation counts a change in First-Class Mail service standards if a change in the First-Class Mail service standard affects either an originating three-digit ZIP Code in the Pacific Area or a destination three-digit ZIP Code in the Pacific Area. If the originating and destination three-digit ZIP Codes both are in the Pacific Area, the calculation counts two changes for the Pacific Area. This calculation methodology is the same as the Postal Service methodology for summarizing effects of changes in service standards on postal areas.

⁶ The Western Area generally covers post offices located in Alaska, Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

⁷ See fn. 5 for an explanation of the calculation methodology.

two-day delivery. Therefore, the changes in First-Class Mail service standards represent changes to significantly greater than nine percent of the origin-destination pairs that could reasonably have been considered possible candidates for switching between a two-day service standard and a three-day service standard.

59. Section 3661(b) requires an advisory opinion regardless of whether changes in the nature of postal services that generally affect service on a nationwide or substantially nationwide basis will improve or reduce services.

60. By request, the Postal Service provides service standards to customers via the Service Standards computer program on CD-ROM. In 1998, the computer program was named Service Commitment. The Service Standards and Service Commitment programs present service standards graphically on a color-coded map. DFC-LR-2 contains the Service Commitment computer program with data as of fiscal year 1998, quarter 4 (before the changes that are the subject of this complaint occurred) and the Service Standards computer program with data as of fiscal year 2001, quarter 3 (after some, *but not all*, of the changes that are the subject of this complaint occurred; no Service Standards CD-ROM reflecting all the changes has been released yet).

61. Appendix 1 contains printouts of maps from the Service Commitment program and Service Standards program showing service standards for First-Class Mail destined to SCF San Jose CA 950, SCF Los Angeles CA 900, SCF San Diego CA 921, and SCF Chicago IL 606 and for First-Class Mail originating in SCF San Francisco CA 941, SCF San Jose CA 950, and SCF Dallas TX 752.⁸ The printouts show data from fiscal year 1998, quarter 4 and fiscal year 2001, quarter 3.

⁸ The original copy of this complaint on file with the Commission contains color printouts.

CLASS OF PERSONS AFFECTED

62. The changes in First-Class Mail service standards that the Postal Service implemented in 2000 and 2001 affect me and most other postal customers nationwide. The change in, departure from, or abandonment of the criteria that the Postal Service announced in Docket No. N89-1 and the 2001 ZIP Code Directory for two-day service standards for First-Class Mail affects me and most other postal customers nationwide. These changes affect particularly severely — and negatively — postal customers sending mail to or from many ZIP Codes in the Pacific Area and Western Area.

63. Many customers nationwide, and in particular in the Pacific Area and Western Area, including I, are not receiving adequate First-Class Mail service.

64. Many users of the mail in California and other western states, including I, are subject to undue and unreasonable discrimination in our First-Class Mail service, in a manner not specifically authorized by title 39.

STATEMENT OF RELIEF REQUESTED

65. Pursuant to 39 U.S.C. § 3662, I request that the Commission conduct a hearing and issue a public report documenting (1) the inadequate First-Class Mail service that many customers now are receiving, (2) the undue and unreasonable discrimination that some users of the mail located in California and other western states are suffering, (3) the change in, departure from, or abandonment of the criteria that the Postal Service announced in Docket No. N89-1 and the 2001 ZIP Code Directory for two-day service standards for First-Class Mail, and (4) the Postal Service's failure to seek an advisory opinion before the effective dates of the changes in First-Class Mail service standards and before the effective date of the change in, departure from, or abandonment of the criteria that the Postal Service announced in Docket No. N89-1 and the 2001 ZIP Code Directory for two-day service standards for First-Class Mail. I also request that the Commission recommend changes to the First-Class Mail service

standards that the Postal Service has implemented to address the problems identified during the hearing.

Respectfully submitted,

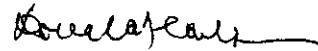
Dated: June 15, 2001



DOUGLAS F. CARLSON

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the Postal Service in accordance with section 12 of the *Rules of Practice*.



DOUGLAS F. CARLSON

June 15, 2001
Santa Cruz, California